



June 16, 2011

Ms Erin Pearson
Executive Director
Manitoba Insurance Council
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Mr Jim Scalena
Superintendent of Financial Institutions Regulations Branch
Consumer and Corporate Affairs Division
Manitoba Family Services and Consumer Affairs
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**Proposed Regulatory Framework
Restricted Insurance Agent License**

Dear Ms. Pearson and Mr. Scalena,

The Canadian Association of Financial Institutions in Insurance (CAFII) is writing to you in response to the regulatory framework for a restricted insurance license (the framework) which was posted in May 2011. CAFII appreciates that the council included a number of our recommendations in the framework particularly removal of “written” requirements for policies and notifications.

CAFII has several outstanding concerns with the framework - in all cases the Manitoba framework differs from both the Alberta and Saskatchewan regimes. The Manitoba approach has the potential to be quite difficult and costly for our members. As costs are ultimately borne by the consumer, we seek resolution of these matters so that services can be offered as efficiently as possible.

1) Employee suitability

In the framework, Manitoba requires that employees of the Restricted Insurance Agent (RIA) be “knowledgeable, competent and suitable” with respect to the insurance product. In Alberta and Saskatchewan, the requirement is for the person to be “knowledgeable”. We strongly recommend that Manitoba harmonize with

the other provinces in this regard to avoid unnecessary litigation against RIAs, insurers and the government.

The concept of suitability to be an agent has a specific meaning in the insurance industry. Potential agents undergo a specific screening process which checks for backgrounds that include previous bankruptcies, business affiliations, federal or provincial offences, reasons for previous terminations, legal requirements to make payments, indebtedness and criminal records. There is also a check for professional insurance designations, and insurance licenses. While employees of deposit-taking institutions undergo processes to hire staff capable of offering a wide range of financial services, these processes use criteria that are different from the specific “suitability” check for insurance agents. This leaves the door open for legal actions which could challenge the suitability of the person who offered the optional insurance product.

2) Roster requirement

The framework specifies that the RIA must maintain and ensure a record of employees is current. The employee record requires the RIA to show date of hire, or deletion, and the business address of all persons authorized by the RIA. For large deposit-taking institutions, employee records are in a number of internal systems, and employees may be assigned to different locations. Alberta and Saskatchewan have resolved this issue by including the roster requirement in the application process and noting that those organizations applying in the highest tier ie those with more than 500 employees would not be required to supply a list. Should the provincial regulator need information about a specific employee, this could be obtained by contacting the licensee’s designate. We recommend that Manitoba include this exemption in the application process also.

3) Annual Licensing Report

It is not clear to CAFII members what information will be required as part of the annual renewal process. Other provinces are not requiring a report. Saskatchewan as yet has not undertaken a renewal but we recommend Alberta’s streamlined renewal process. We would like to discuss Manitoba’s information needs prior to finalizing any annual reporting requirements.

4) Disclosure Requirements

The framework requires the RIA to disclose to the consumer, prior to completion of an application form, the terms, including limitations and restrictions. Alberta and Saskatchewan require a summary of the terms. This is an important distinction. Key information is highlighted for the consumer and does not get buried in the details. Furthermore it would be difficult if not impossible to provide all the terms especially in a telephone call situation – the amount of material to cover would be too lengthy for this to be a viable option. The full and complete policy terms are set out in the fulfillment package which is sent to the customer. The customer has 20 -30 days to review all the material and can cancel

the coverage without penalty. A toll-free number is provided so the customer can ask any questions of the insurer. This process has been put in place to ensure the consumer has all the necessary information for his purchase decision.

CAFII would like to meet with you to discuss your needs for the framework and our concerns with the current approach. We would be prepared to meet in person in Manitoba or we could do a conference call if that is what you would prefer. Hopefully we could develop an approach for the issues noted that would be workable for all parties. Once again, thank you for including CAFII in the consultation and we look forward to continuing to work with you.

Yours truly,

A handwritten signature in black ink, appearing to read "D. Minor", with a long, sweeping flourish extending upwards and to the right.

Dave Minor, Chair

Canadian Association of Financial Institutions in Insurance